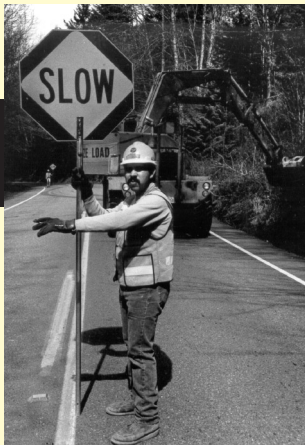


## Phase 1 State Agency and Higher Education Edition



# PERS Plan 3 Transfer Decision News

Washington State  
Department of Retirement Systems

September 2001

Issue #2



## Why should I think about my retirement plan?

Making decisions about how you will finance your retirement is important. The Department of Retirement Systems (DRS) wants to help you with your retirement planning so you can spend your retirement years enjoying life, and not worrying about your finances.

Your upcoming decision on whether to stay in Public Employees' Retirement System (PERS) Plan 2 or transfer to PERS Plan 3 is an important part of this planning.

Making the choice of staying in PERS Plan 2 or transferring to PERS Plan 3 is comparable to any other large financial decision that you may have been faced with, like buying a house or a car. As with those decisions, you usually start by thinking about what your needs and wants are before you make the purchase.

You can think about your retirement planning the same way.

### Personal situation

Before you decide which plan is right for you, you need to think about your personal situation. How long are you going to work? When do you want to retire? How much service credit have you earned toward your retirement? What are your plans in retirement?

What retirement income will be available to you besides PERS?

Questions like these will help you define your goals and expectations for your retirement. Knowing when you want to retire, and how much money you will need in retirement will help you make your transfer decision. The answers to these questions will also be factors for you to input into the financial modeling software.

### Research options

After thinking about your personal needs, the next step is researching the two plans. DRS will help you with this stage of the process by providing you with information about PERS Plan 2 and PERS Plan 3.

This information will help you compare how your retirement and your pocketbook will be affected by each of the plans. The tools are described in the article *How will I make my choice?* on page two of this newsletter.

### Your decision

After you have thought about your needs and reviewed the plan information you will have an opportunity to decide which plan best meets your personal needs.

*Retirement plan continued on page 4*

## Phase 1 Transfer Window

March 1, 2002, through August 31, 2002

For PERS Plan 2 members who work for state agencies and state colleges and universities.

## Phase 2 Transfer Window

PERS Plan 2 members who are employed by cities, counties and other local government agencies are part of a second transfer window and will have an initial opportunity to transfer to PERS Plan 3 during the Phase 2 transfer window September 1, 2002 through May 31, 2003.

Phase 2 members will receive their next newsletter in December 2001.

## More information

PERS Plan 2 members seeking more information on PERS Plan 3 topics such as gain sharing, divorce decrees, or a definition of an "active" member should review materials found under "frequently asked questions" at the PERS Plan 3 Web site available through the DRS Web site at: <http://www.wa.gov/drs>

## What is the transfer payment?

PERS Plan 3 provides for a one-time transfer payment which is calculated based on the funds in your PERS Plan 2 account.

The transfer payment will be calculated by taking a set percentage established in statute and multiplying that percentage by the bal-

ance in a member's account on March 1, 2002.

It is important to understand that the transfer is not a "bonus payment."

The transfer payment is provided because the defined benefit under

PERS Plan 3 is approximately one-half of that under PERS Plan 2. Because of this, the state Legislature provided this one-time transfer payment to compensate Plan 2 members for the change in their defined benefit account.

To be eligible for the transfer payment, you must meet all of the following criteria:

1. Have a balance in your PERS Plan 2 account on March 1, 2002.
2. Transfer to PERS 3 during the transfer window (March 1, 2002 through August 31, 2002 for state agency and higher education members).
3. Earn service credit for February 2003.

### How the transfer payment is calculated

For example, assume you have \$10,000 in contributions and interest in your PERS Plan 2 account on March 1, 2002, and you transfer to PERS Plan 3 during the Phase 1 transfer window (March 1, 2002 through August 31, 2002).

If you then earn service credit for February 2003, you will receive a transfer payment in June 2003 of 110 percent of \$10,000 which equals a payment of \$11,000.

You would then have a total of \$21,000 in your defined contribution account, plus any contributions and interest accumulated since March 1, 2002. You may then invest this amount in the funds available in Plan 3.

## How will I make my choice?

DRS will provide a variety of tools to assist you with your plan transfer decision. For state agency and higher education members, these tools will include:

### Transfer information packet

This will be distributed in December 2001. The packet will include a thorough description of each plan and provide you with information to help you make your choice.

### Seminars and phone support

Transfer education seminars and a special transfer education phone line will be offered throughout the state to provide members with an opportunity to hear about the plans and ask questions. Over 2,000 seminars will be scheduled statewide. Dates and locations for seminars will be available as they are scheduled on the DRS Web site in December 2001.

### Financial modeling software

Financial modeling software will be available on the DRS Web site. This software will allow you to enter your own personal data and compare how your "take home" pay at retirement will be impacted under each retirement plan.

You will receive a letter in your transfer education packet that will provide some key pieces of your retirement account information (asset balance and service credit) to enter into the software. Software will be available on the Web site beginning December 2001.

### Web site

DRS will also provide up-to-the-minute transfer information on the PERS Plan 3 Web site. All newsletters, packets and publications are accessible on the Web as soon as they are mailed through the DRS site at: <http://www.wa.gov/drs/>. This Web site will grow as transfer education materials become available.

### Newsletters

Future editions of the *PERS Plan 3 Transfer Decision News* will provide you with information about your choice and remind you of key dates.

# Why are contribution rates important?

As you think about your future needs for retirement income, it will be helpful to understand how the money you contribute funds your retirement benefit.

PERS Plan 2 provides a defined benefit that is funded by contributions from both you and your employer.

In PERS Plan 3 you will receive two separate benefits: a defined benefit and a defined contribution account. The defined benefit is funded by employer contributions. The defined contribution is funded by your contributions and the investment returns on your contributions.

Knowing more about the different contribution rates will help you make your transfer decision.

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Director.....John F. Charles  
Editor.....Rachel Jo Nesse

**Mailing address:**  
Department of Retirement Systems  
P.O. Box 48380  
Olympia, WA 98504-8380

**DRS telephone numbers:**  
Information.....1-800-547-6657  
Local Callers.....360-664-7000  
TDD Line.....360-586-5450

**DRS Internet address:**  
[www.wa.gov/DRS/drs.htm](http://www.wa.gov/DRS/drs.htm)

**Member e-mail contact:**  
[recep@drs.wa.gov](mailto:recep@drs.wa.gov)

If you did not receive the first issue of *PERS Plan 3 Transfer Decision News*, or if you would like more information, contact DRS with the numbers above.

*PERS Plan 3 Transfer Decision News* is available in alternate formats to system members. For more information, contact the editor at (360) 664-7934.

## What is a contribution rate?

Your member contribution rate is the percentage of total salary that you pay toward your retirement plan. For example, if you have a monthly salary of \$2,000, and a contribution rate of 5 percent, your monthly payment into your retirement plan would be \$100.

## Rates for PERS Plan 3

In PERS Plan 3 you select a contribution rate which will help you achieve your retirement goals.

PERS Plan 3 members will have a choice of six contribution rate options. These options are listed in the table to the right.

If you choose to transfer to Plan 3, you should carefully consider the available rates and think about your long term financial plans. This is important because only you contribute to your defined contribution account, and your rate choice is irrevocable, unless you change employers.

### PERS Plan 3 Contribution Rates

Option A.....	5 percent of pay at all ages
Option B .....	5 percent of pay until age 35; 6 percent from age 35 until 45; 7.5 percent from age 45 and above
Option C .....	6 percent of pay until age 35; 7.5 percent from age 35 until 45; 8.5 percent from age 45 and above
Option D.....	7 percent of pay at all ages
Option E .....	10 percent of pay at all ages
Option F .....	15 percent of pay at all ages

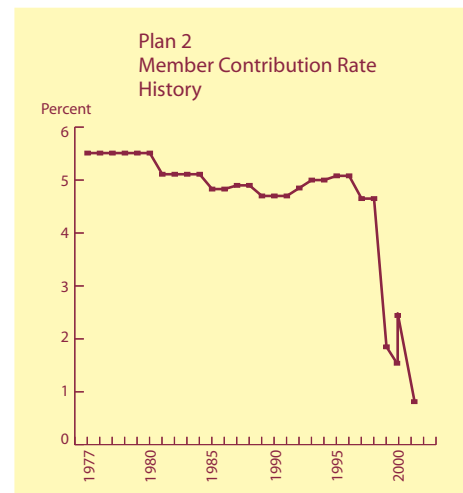
In PERS Plan 3 your employer contributes the defined benefit portion of your retirement benefit.

## Rates for PERS Plan 2

As a PERS Plan 2 member, your contribution rate is the amount deemed to be necessary for funding your future defined benefit. This rate may fluctuate due to changing investment returns, or due to improvements in your retirement benefits that might require additional funding.

At present, PERS Plan 2 members contribute 0.88 percent of their wage towards their retirement plan. However, as recently as 1995 PERS Plan 2 members were contributing over 5 percent.

For an idea of the history of the PERS Plan 2 contribution rate, take a look at the chart above. As you can see, the PERS Plan 2 contribution rate has fluctuated since 1977. The chart shows that contribution rates are lower today



than they were in the last two plus decades. Fluctuations in the PERS Plan 2 contribution rate are expected.

PERS Plan 2 provides a defined benefit that is funded by contributions from both you and your employer.

## Who will be assisting DRS with transfer education?

DRS is working with two education specialists to develop transfer education materials and seminars for PERS Plan 3. These companies will assist in the development of written materials, financial modeling software, the DRS Web site, phone support and seminars that DRS will sponsor statewide.

Arnerich Massena & Associates will work with DRS to develop the communication and education materials used in the transfer education campaign. These will include a transfer education packet, seminar materials and a transfer decision video.

ICMA Retirement Corporation will work with DRS to provide seminar and phone support for the transfer education campaign. The materials used for the seminar programs will be developed with the assistance of Arnerich Massena & Associates.

## PERS Plan 2 seminars offered

Members wanting more information about PERS Plan 2 may attend Retirement Planning seminars currently offered by DRS' Retirement Planning Staff. Members may find this in depth PERS Plan 2 seminar an enhancement to the upcoming PERS Plan 3 seminars. For more information on Plan 2 seminars, please check issues of the Retirement Outlook, DRS' member newsletter, or access the department's Web site at: <http://www.drs.wa.gov>

## Retirement plan (from front page)

The plans are different. Neither plan is necessarily "better" than the other. The decision that your co-workers or friends make may not work for you because of different personal circumstances.

Your transfer decision is important. If you decide to transfer to PERS Plan 3 you will not be able to transfer back to PERS Plan 2.

By reading this newsletter, thinking about your retirement needs and reviewing the materials that will be available in December, you are doing some smart retirement planning.

This planning will allow you to make a good transfer decision during the state agencies and higher education transfer window from March 1, 2002, through August 31, 2002.

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## Update your address with your employer

DRS will mail important PERS Plan 3 information to your home address. To help ensure you receive these materials, keep your address up to date with your employer.

DRS  
Department of  
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## PERS Plan 3 Transfer Decision News

ADDRESS SERVICE REQUESTED

Department of Retirement Systems  
Public Employees' Retirement System  
PO Box 48380  
Olympia, WA 98504-8380

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